

EXHIBIT 1

INTRODUCTION

Respondent, “Prop38yes.com, School Vouchers,” (“Respondent Committee”) was a recipient ballot measure committee primarily formed to support the qualification of Proposition 38 for the ballot and its passage in the 2000 general election. Respondent Betty Presley served as the treasurer of Respondent Committee. This matter arose from an audit of Respondent Committee by the Franchise Tax Board, for the period January 1, 1999 through December 31, 2000.

The Political Reform Act (“Act”)¹ requires a recipient ballot measure committee to comply with various campaign reporting requirements regarding the receipt and expenditure of campaign funds. In this matter, Respondents violated the Act by failing to report required information regarding expenditures totaling \$3,423,805 made to sub-vendors, in the twelve expenditures listed in Counts 1 -12.

For the purposes of this stipulation, Respondents’ violations of the Act are stated as follows:

- COUNT 1:** On a first pre-election campaign statement filed on October 6, 2000, for the reporting period July 1, 2000, through September 30, 2000, Respondents Prop38yes.com, School Vouchers, and Betty Presley failed to report sub-vendor information for payments totaling \$305,510 made to KCBS in violation of section 84303.
- COUNT 2:** On a first pre-election campaign statement filed on October 6, 2000, for the reporting period July 1, 2000, through September 30, 2000, Respondents Prop38yes.com, School Vouchers, and Betty Presley failed to report sub-vendor information for payments totaling \$283,369 made to KCRA in violation of section 84303.
- COUNT 3:** On a first pre-election campaign statement filed on October 6, 2000, for the reporting period July 1, 2000, through September 30, 2000, Respondents Prop38yes.com, School Vouchers, and Betty Presley failed to report sub-vendor information for payments totaling \$379,988 made to KGO in violation of section 84303.
- COUNT 4:** On a first pre-election campaign statement filed on October 6, 2000, for the reporting period July 1, 2000, through September 30, 2000, Respondents Prop38yes.com, School Vouchers, and Betty Presley failed

¹ The Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

to report sub-vendor information for payments totaling \$129,369 made to KGTV in violation of section 84303.

COUNT 5: On a first pre-election campaign statement filed on October 6, 2000, for the reporting period July 1, 2000, through September 30, 2000, Respondents Prop38yes.com, School Vouchers, and Betty Presley failed to report sub-vendor information for payments totaling \$270,173 made to KMEX in violation of section 84303.

COUNT 6: On a first pre-election campaign statement filed on October 6, 2000, for the reporting period July 1, 2000, through September 30, 2000, Respondents Prop38yes.com, School Vouchers, and Betty Presley failed to report sub-vendor information for payments totaling \$593,317 made to KNBC in violation of section 84303.

COUNT 7: On a first pre-election campaign statement filed on October 6, 2000, for the reporting period July 1, 2000, through September 30, 2000, Respondents Prop38yes.com, School Vouchers, and Betty Presley failed to report sub-vendor information for payments totaling \$180,965 made to KNSD in violation of section 84303.

COUNT 8: On a first pre-election campaign statement filed on October 6, 2000, for the reporting period July 1, 2000, through September 30, 2000, Respondents Prop38yes.com, School Vouchers, and Betty Presley failed to report sub-vendor information for payments totaling \$208,637 made to KPIX in violation of section 84303.

COUNT 9: On a first pre-election campaign statement filed on October 6, 2000, for the reporting period July 1, 2000, through September 30, 2000, Respondents Prop38yes.com, School Vouchers, and Betty Presley failed to report sub-vendor information for payments totaling \$257,125 made to KRON in violation of section 84303.

COUNT 10: On a first pre-election campaign statement filed on October 6, 2000, for the reporting period July 1, 2000, through September 30, 2000, Respondents Prop38yes.com, School Vouchers, and Betty Presley failed to report sub-vendor information for payments totaling \$147,362 made to KXTV in violation of section 84303.

COUNT 11: On a second pre-election campaign statement filed on October 27, 2000, for the reporting period October 1, 2000, through October 21, 2000, Respondents Prop38yes.com, School Vouchers, and Betty Presley failed to report sub-vendor information for payments totaling \$221,128 made to KDTV in violation of section 84303.

COUNT 12: On a second pre-election campaign statement filed on October 27, 2000, for the reporting period October 1, 2000, through October 21, 2000, Respondents Prop38yes.com, School Vouchers, and Betty Presley failed to report sub-vendor information for payments totaling \$446,862 made to KMEX in violation of section 84303.

SUMMARY OF THE LAW

Duty to File Campaign Statements

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns are fully and truthfully disclosed, in order for voters to be fully informed and improper practices inhibited. To that end, the Act sets forth a comprehensive campaign reporting system.

Section 82013, subdivision (a) defines a “committee” as including any person or combination of persons who directly or indirectly receives contributions totaling \$1,000 or more in a calendar year. This type of committee is commonly referred to as a “recipient” committee. Section 82047.5, subdivision (b) defines “primarily formed committee” as including a recipient committee that is formed or exists primarily to support or oppose a single measure.

Section 84200, subdivision (a) requires a recipient committee to file two semi-annual campaign statements each year. The first semi-annual campaign statement covers the reporting period January 1 to June 30, and must be filed by July 31. The second semi-annual campaign statement covers the reporting period July 1 to December 31, and must be filed by January 31 of the following year.

Section 84200.5, subdivision (b) requires a recipient committee that is a primarily formed ballot measure committee to file two pre-election campaign statements before the election in which the measure appears on the ballot, as specified in section 84200.7, subdivision (b).

Duty to Report Payments Made to Sub-vendors

Section 84303, as it was in effect in calendar year 2000, provides that no expenditure shall be made, other than for overhead and normal operating expenses, by an agent or independent contractor, including, but not limited to, an advertising agency, on behalf of, or for the benefit of, any committee, “unless it is reported by the committee as if the expenditure was made directly by the committee.” Persons to whom expenditures are made through an agent or independent contractor on behalf of a committee are commonly referred to as “sub-vendors.”

Treasurer Liability

Under section 84100 and regulation 18427, subdivision (a), it is the duty of a committee's treasurer to ensure that all requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds, are complied with. A committee's treasurer may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee. (Sections 83116.5 and 91006.)

SUMMARY OF THE FACTS

Respondent Committee was a recipient ballot measure committee primarily formed on December 14, 1999, to support the qualification of Proposition 38 for the ballot and its passage in the 2000 general election. Respondent Betty Presley was the treasurer of Respondent Committee. Proposition 38 was a ballot measure, defeated by the voters, that would have authorized annual state payments of at least \$4,000 per pupil for private/religious schools.

In connection with the 2000 general election, Respondents received contributions totaling over \$30.7 million and made expenditures totaling over \$51.5 million. Respondents did not report required information regarding expenditures totaling \$3,423,805 made to sub-vendors KCBS, KCRA, KGO, KGTV, KMEX, KNBC, KNSD, KPIX, KRON, KXTV, and KDTV.

COUNTS 1-12

Failure to Report Payments Made to Sub-vendors

Respondents had a duty to report on their campaign statements specified information regarding payments that were made on their behalf to sub-vendors for broadcast advertising and other campaign services.

Respondents contracted with the consulting firm, Brabender Cox Mihalke, ("BCM"), for media consulting services. Over the course of two reporting periods, Respondents made multiple payments to BCM, which, in turn, made payments to various sub-vendors for broadcast advertising on Respondents' behalf. Respondents were required to report the name and street address of each sub-vendor, the amount of the payments made to each sub-vendor, and a brief description of the consideration that was received for each payment, but failed to do so.

As detailed by the January 31, 2003, Franchise Tax Board Audit Report for Prop38yes.com, School Vouchers, payments made from BCM to sub-vendors receiving the largest payment amounts for which sub-vender information was not reported per campaign reporting period are described below:

Reporting Period 07/01/00 - 09/30/00
(1st pre-election Campaign Statement)

1) KCBS	\$305,510	6) KNBC	\$593,317
2) KCRA	\$283,369	7) KNSD	\$180,965
3) KGO	\$379,988	8) KPIX	\$208,637
4) KGTV	\$129,369	9) KRON	\$257,125
5) KMEX	\$270,173	10) KXTV	\$147,362

Reporting Period 10/01/00 - 10/21/00
(2nd pre-election Campaign Statement)

11) KDTV	\$221,128	12) KMEX	\$446,862
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By failing to report sub-vendor information regarding these sub-vendor payments, Respondents committed 12 violations of section 84303.

CONCLUSION

This matter consists of 12 counts, which carry a maximum administrative penalty of Two Thousand Dollars (\$2,000) per count, for a total administrative penalty of Twenty Four Thousand Dollars (\$24,000).²

For sub-vendor reporting violations, the typical stipulated administrative penalty has historically ranged from \$1,500 to \$2,000 per violation, depending upon the total dollar amount not reported, and whether the information should have been reported on a pre-election or post-election campaign statement. In this case, however, the total dollar amount not reported is significant, all of which Respondents should have reported before the election. Such aggravated circumstances call for an administrative penalty that is somewhat higher than the typical penalty. Thus, the facts of this case justify imposition of the agreed upon penalty of Twenty Four Thousand Dollars (\$24,000).

² On January 1, 2001, the maximum administrative penalty amount increased from Two Thousand Dollars (\$2,000) to Five Thousand Dollars (\$5,000) for violations occurring after that date.